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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Billed Party Preference for 0+ InterLATA Calls	)	CC Dkt. No. 92-77
	)	
	)	

ORIGINAL

COMMENTS

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SUMMARY

The FNPRM presents a list of benefits that the introduction of BPP for processing interstate operated assisted calls will yield. These perceived benefits are very much exaggerated and none will justify the significant expenditures and ongoing maintenance costs of implementing BPP.

The FNPRM's list of benefits includes estimated savings of $280 Million per year for elimination of burdensome access code dialing. However, what the Commission fails to recognize in the FNPRM is that consumers now understand and routinely use access code dialing as a means of bypassing the presubcribed OSP and reaching their preferred carrier. The increased use of dial around calling reduces the estimated 280 million cost savings considerably.

Furthermore, the Commission's assumption that elimination of commission payments to IPPs will generate an annual return of $340 million is unprovable and ignores marketplace realities. There is little reason to suppose that OSP's rates will be reduced. And, more importantly, the level of commission payments to IPPs is already dropping with the increased frequency of dial around calling.

All other perceived benefits such as lower regulatory costs and increased network efficiencies are achievable through alternative and less costly means.

For instance, in addition to advertisement campaigns to encourage use of access code dialing from pay telephones, carriers have introduced many new services all of which make it easier for end users to reached their preferred carriers from any location. The Commission should encourage these initiatives in lieu of mandating the deployment of such an expensive technology with limited service applications and limited utility to ratepayers.

BellSouth's cost projections show that total costs, including capital recovery and expenses could reach in excess of $57.3 million per year for the first five years, $38.4 Million for years six through ten and $29 million for each year after ten years. If the Commission requires implementation of BPP, these costs will have to be recovered from the entire body of interstate ratepayers.

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COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") files these comments in response to the Further Notice of Proposed Rulemaking issued in the above-captioned proceeding.[1] The FNPRM undertakes a cost/benefit analysis of billed party preference ("BPP") and tentatively concludes that significant benefits can be realized through the introduction of BPP, with a projected implementation date of June 1997. The Commission has requested public comment on all aspects of this analysis. Additionally, the Commission seeks timely data on specific issues related to the deployment of BPP service.

As revealed through the following comments, certain benefits assumed for BPP implementation are not factually supportable. Conversely, the costs of BPP technology are substantial and will have to be recovered from the entire body of interstate switched access ratepayers if the service is to be economically viable. Finally, the problems BPP was intended to address have largely disappeared. Effects of

[1] Further Notice of Proposed Rulemaking, CC Docket No. 92-77, FCC 94-117, released June 6, 1994 (hereinafter "FNPRM").

Federal legislation and the introduction of new LEC services have expanded the range of options available to consumers and correspondingly eroded the ability of presubscribed operator service providers (OSPs) and aggregators to impede access to the carrier of choice. Moreover, IXCs are developing and aggressively marketing a variety of new products which offer ready access to the preferred carrier from virtually any location. The Commission should encourage these initiatives in lieu of mandating the deployment of an expensive technology with limited service applications and limited utility to ratepayers.

I. <u>COST/BENEFIT ANALYSIS</u>

1. <u>The perceived benefits of BPP are exaggerated.</u>

The FNPRM claims that the introduction of BPP for processing interstate operator assisted calls will yield the following benefits:

a. Elimination of the inconvenience of access code dialing with guaranteed automatic routing to the preferred interexchange carrier. This benefit is assigned a quantified value of $280 Million per year.

b. Shift in competitive emphasis from location providers to end users. This benefit is valued at $340 Million per year.

c. Elimination of AT&T's competitive advantage in the payphone market.

d. Miscellaneous savings in regulatory costs, operator service provider (OSP) operational costs and enhanced network efficiency.

In fact, none of these supposed advantages will justify the significant capital expenditure and ongoing maintenance consistent with independent data compiled by the American Public Communications Council (APCC), which shows an increase of 15-35 percentage points, over 1991 levels, in the portion of operator-assisted traffic that is dial around traffic. APCC has further advised that between June 1993 and June 1994, an overall rate of more than 60% of interstate operator-assisted calls employed access codes, based on a survey of several thousand independent payphones.

This explosive growth in dial around calling has been fueled in large measure by a considerable IXC effort to promote access code usage. The "10ATT" advertising campaign is illustrative. In addition, new services such as AT&T's 1-800-CALLATT and MCI's 1-800-COLLECT offer alternatives to traditional 10XXX access and are rapidly gaining favor with consumers.[4]

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dialed around traffic. The rapid growth of dial around traffic demonstrates that consumers are learning how to save money on operator services. High rates charged by some OSPs probably spurred many consumers to seek alternatives. FCC rules adopted pursuant to the Telephone Operator Consumer Services Improvement Act of 1990 give the customer better information when making 'away-from-home' calls, and increase the likelihood that the consumer can dial around the default carrier." Id. at Attachment N, p. 12.

[4] MCI Chairman and Chief Executive Officer Bert C. Roberts, Jr. has characterized 1-800-COLLECT as that company's "fastest-growing product ever." Speaking at a recent shareholders meeting, Mr. Roberts told his audience that "[p]rior to 1-800-COLLECT, AT&T enjoyed a huge advantage in the marketplace with zero-plus dialing. Slow-moving regulators hadn't done much to correct AT&T's lopsided advantage. MCI overcame the disadvantage--and the apathy of regulators--to achieve something that was truly remarkable." "MCI Cites Nextel's Role in Local Competition Plans," Telecommunications Reports, May 30, 1994, at 16.

Customer surveys offer further proof of the growing acceptance of alternative dialing arrangements. One such study was completed by Bellcore in July 1991 using data compiled by InterSearch Corporation. The study involved an Atlanta focus group composed of frequent calling card users. These interviews revealed that participants did not consider access codes to be a significant burden and were willing to employ access dialing arrangements to obtain the IXC of choice.[5]

In concert with the growing incidence of dial around calling from public stations, this information strongly suggests that frequent payphone customers understand access code usage and readily avail themselves of this option to reach a preferred carrier. There is also evidence that IXC marketing efforts are reaching even casual users, permitting these customers also to exercise informed selection. Finally, as described elsewhere in this filing,[6] a growing array of products and services are available to facilitate consumer choice, a number of which do not depend on access codes and none of which depends on the technology of BPP. Given all these circumstances, BPP's elimination of access code dialing cannot be viewed as a significant public benefit.

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[5] A transcript of the focus group session is attached hereto as Appendix C.

[6] See pp. 15-18, <u>infra</u>.

3. <u>Guaranteed automatic routing will not produce the savings envisioned by the Commission</u>.

The FNPRM hypothesizes that BPP will deny customer patronage to the higher priced OSPs and correspondingly increase the use of more moderately priced carriers (e.g., AT&T, MCI and Sprint). The Commission projects an annual savings of $280 Million dollars from this customer migration, based upon a $0.19 differential between the rates of the three largest IXCs and the so-called "third-tier OSPs."[7]

This analysis is flawed in several respects. First, the rate differential has continued to narrow since 1991. Commission enforcement activity pursuant to TOCSIA has eliminated the more extreme cases of inflationary pricing among smaller OSPs.[8] At the same time, prices of the three largest IXCs are trending upward.[9] It is reasonable to

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[7] Calculation of this amount is set out in detail on p. 9 at n. 24 of the FNPRM.

[8] "In response to the [Commission's] rate review orders, virtually all of the OSPs whose rates the Bureau found appeared unjust and unreasonable have reduced their rates substantially. These rate reductions amounted to as much as 36 percent in the price of one of the sample calls. The Bureau found that the revised rates no longer raised the concerns of unreasonableness that had prompted the Bureau to initiate these proceedings." TOCSIA Report, p. 11.

[9] From July 1993 to the present, all three of the largest IXCs have increased rates for various types of operator-assisted calling. AT&T has introduced the following increases: (1) Operator-Dialed Calling Card, +9.3%; (2) Operator Assisted-Collect, +9.3%; Operator Assisted-Billed to Third Party, +12.4%; and (4) Person-to-Person, +16.7%. MCI's rates have increased as follows: (1) MCI Card, +5.3%; (2) Operator Station-Collect, +5.7%; (3)

assume that this movement toward pricing convergence will continue and possibly accelerate.

Second, customer avoidance of higher-priced OSPs is a benefit which does not depend upon the deployment of BPP. Consumers are making increasing use of dial around options to express competitive preferences. In fact, access codes--which afford the opportunity to select from a virtually limitless array of providers each time a call is placed--may provide a more potent competitive stimulus than BPP; which depends upon a single PIC selection and is not subject to change without affirmative customer action and the payment of a tariffed charge.[10]

Third, it cannot be assumed that all OSPs having rates above those of the "Big Three" are necessarily engaged in price gouging or that their elimination from the market will produce a social benefit. The Commission has determined that the majority of OSPs are "quite small" and "that, on

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Operator Station-Billed to Third Party, +8.8%; and (4) Person-to-Person, +16.7%. Operator-assisted rates of Sprint reflect the following increases: (1) Operator-Dialed Foncard, +5.7%; (2) Operator-Dialed LEC Calling Card from all telephones other than PublicFon locations, +5.7%; (3) Operator Assisted-Collect, +5.7%; and Operator Assisted-Billed to Third Party, +8.8%. Source: Center for Communication Management Information (CCMI) Guide to Networking Services, Volume 1.

[10] The Commission's quantification of this benefit does make some allowance for loss of OSP market share through dial around calling. However, the estimated reduction of 33-1/3% would appear to be understated, in view of the growth observed to date in alternate dialing arrangements. See p. 4, supra.

average, OSPs expenses are equal to approximately 94.5 percent of revenues."[11] While these new entrants may not enjoy the economic efficiencies of their more established competitors, they have played a significant role in the introduction of new technologies and services beneficial to the using public.[12] It is thus an oversimplification to conclude that consumers will realize a benefit of $280 Million predicated solely upon an anticipated customer migration to the lowest priced service providers.

4. Projected economic benefits from the elimination of commission payments are highly speculative.

The elimination of commission payments to independent payphone providers (IPPs) is expected to generate an annual return of $340 Million--over half of the projected savings of BPP. Notwithstanding the significance of this analysis to an overall assessment of BPP, the calculation of savings contained in the FNPRM is based largely upon assumptions which are unprovable and which ignore marketplace realities. Initially, there is little reason to suppose that OSP rates to end users will be reduced, dollar for dollar, to reflect reduced liability for IPP payments--at least, absent a Commission mandate to that effect. Moreover, the record is

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[11] TOCSIA Report, p. 18.

[12] These contributions include the development of store and forward technology, use of alternative billing options and the introduction of voice messaging, speed dial access, multilingual operators and other specialized services. TOCSIA Report, p. 27.

devoid of any evidence as to the effect of this revenue loss upon IPPs. Certainly, it is not clear that an increase in the dial around rate to $12 per phone per month will be sufficiently compensatory. One outcome which does appear likely is that IPPs will adopt measures to preserve profit margins. To the extent these efforts result in a decrease in available services, the elimination of commission payments may actually prove detrimental to consumers.

Apart from these considerations, the level of commission payments to IPPs is already dropping with the increased frequency of dial around calling. While the FNPRM projects that 50% of payphone toll traffic will be completed using dial around by 1997, there is reason to conclude that the figure will be considerably higher.[13] The wide availability of dial around further insures that responsiveness to customer needs, and not the payment of IPP commissions, will be determinative of marketplace success.[14]

5. BPP is unnecessary to provide 0+ dialing parity to all payphone service competitors.

It is argued that BPP provides a means of reducing AT&T's dominance of payphone services by offering 0+ dialing capability to all IXCs, regardless of size and current market share. BellSouth agrees that the extension of 0+

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[13] See pp. 3-4, supra.

[14] "The growth of dial around traffic in 1992 confirms the analysis that dial around is a viable way for customers to reach their carrier of choice." TOCSIA Report, p. 29.

dialing to other OSPs would supply needed competitive stimulus; however, this goal is readily achievable without resort to the expensive and technologically complex alternative of BPP.

BellSouth has consistently maintained that AT&T's provision of billing and validation services through its card issuer identification (CIID) card should be subjected to the entire range of Title II requirements, to include tariffing for general availability pursuant to Sections 201 et seq. of the Communications Act, 47 U.S.C. §§ 201 et seq.[15] BellSouth has shown the incongruity of allowing unfettered discretion to AT&T in the provision of its service, while imposing full Title II regulation on identical validation services of BellSouth and other LECs. Moreover, given that AT&T currently provides validation for its own internal use and that of selected customers the offering could readily be expanded to include all OSPs willing to pay a reasonable tariffed charge to receive the service.[16]

Adoption of this proposal would enable AT&T cardholders to enjoy the convenience of 0+ dialing from virtually any

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[15] See Billed Party Preference for 0+ InterLATA Calls, CC Docket No. 92-77, BellSouth Comments, June 2, 1992, and Reply, June 17, 1992.

[16] Of course, any other OSP card issuer must be deemed to provide a Title II service and would likewise be subject to the Act's requirements of reasonableness and nondiscrimination.

pay telephone without regard to the identity of the presubscribed IXC.

6. Other perceived benefits of BPP are overstated and/or achievable through alternative means.

The FNPRM cites other potential benefits of BPP for which no monetary quantification is attempted. According to this analysis BPP will lower regulatory costs by decreasing the number of OSP rate complaints and reducing the level of resources which must be committed to TOCSIA enforcement. Further savings are envisioned through streamlined regulation of AT&T operator services. Increased network efficiencies are also attributed to BPP, arising from the deployment of OSS7 technology in end offices.

These conclusions are mystifying in several respects. First, even if BPP were found to reduce the incidence of rate complaints, the Commission has itself determined that such complaints represent only 17.6% of total OSP service complaints.[17] Second, the resource commitment necessary to enforce TOCSIA should already be declining, given widespread

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[17] TOCSIA, p. 26. OSP monitoring reports group complaints under the following categories: (1) rate charged; (2) blocking of access to carriers other than the presubscribed carrier; (3) call splashing; (4) call quality; (5) failure to comply with other statutory requirements or Commission rules; and (6) other. The overwhelming majority of complaints received by OSPs--67.8% when results of all four reporting periods are combined--were categorized as "other". Id.

compliance with all significant statutory requirements.[18] Finally, the burden of continuing TOCSIA enforcement must pale in comparison to the burden (on both the Commission and the industry) of implementing a new technology as pervasive as BPP. The considerable effort required to develop and deploy other database services (e.g., LIDB, 800 Database Access) is instructive in this regard. The complexities raised by an offer of BPP would surely be no less formidable. Further, in contrast to those technologies--which are uniquely suited to meet clearly identified needs--BPP is designed to serve competitive goals which have already been realized through regulatory action and the introduction of a plethora of new products and services.

The Commission also errs in its assumption that deployment of OSS7 will create network efficiencies. BellSouth has no planned application for this technology other than BPP and will be compelled to recover all OSS7 costs from the BPP service if it is to avoid stranded investment.

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[18] The Commission has found that "well over 90 percent of telephones comply with the most important requirements: that access codes be unblocked and that the OSP identify itself." TOCSIA Report, p. 30. Such widespread compliance further suggests that 10XXX unblocking is proceeding at an accelerated pace, in advance of the schedule mandated by the Commission. Id. at 14 n. 31.

7. <u>BellSouth will incur substantial costs to implement BPP.</u>

Current projections show that BellSouth will realize substantial costs to develop and deploy BPP service, notwithstanding the availability of certain vendor discounts. A summary of estimated costs is provided in Appendix A to this filing.[19]

The majority of BPP costs may be categorized as follows:

a. Costs for constructing and provisioning operator trunks from end offices to BellSouth's operator services system (OSS) to reroute 0+ interLATA traffic which currently is transported directly to the IXC.

b. Costs for deployment of OSS7 software in end offices and OSS tandem offices. This software provides common channel signaling (SS7) over operator trunks; thus permitting split routing of 0+ and 10XXX0+/0- traffic and the transferral of billing information to IXCs. The software will also eliminate a substantial increase in call set-up time otherwise associated with BPP. BellSouth's estimate of software costs is based upon vendor planning prices and includes an anticipated discount.

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[19] BellSouth's estimate is premised upon the BPP service description developed by MCI, Pacific Bell, GTE and Southwestern Bell and filed with the Commission on December 23, 1993. BellSouth concurs with this service description, although with qualifications. To illustrate, processing of commercial credit cards was omitted from the service description; however, estimated cost for such processing is incorporated in Appendix A. Additionally, the service description provides for selection of only one secondary carrier by the primary 0+ carrier, while multiple carrier selection may be the desired option. Moreover, if the 0+ carrier differs from the 1+ carrier, 00- will continue to be routed to the 1+ carrier rather than the 0+ carrier. These and other issues will need to be addressed by the Commission if BPP is mandated and their resolution could affect service cost estimates.

c. Costs of software to provide BPP features in OSS tandem switches. This estimate is based upon vendor planning prices and includes an anticipated discount.

d. Costs of capacity additions to OSS tandem switches necessary to process new interLATA traffic.

e. Costs of capacity additions and software modifications to the Automated Alternate Billing Service (AABS). This system provides automated 0+ calling card, collect and billed-to-third functions.

f. Costs of the operator service center, to include operator consoles and related equipment, additional power equipment, building modifications/additions, furniture and miscellaneous items. These costs are necessitated by the addition of new personnel required to offer BPP.

g. Costs of additional operators and supervisors and necessary training costs. New personnel are required because of the additional time necessary to process 0- interLATA calls under BPP and to process 0+ interLATA calls needing operator assistance.[20]

h. Line Information Data Base (LIDB) costs, including software revisions for both LIDB and the Data Base Administrative System (DBAS II).

i. Balloting costs, based upon a one-time, bill insert ballot. This system would provide for default of nonrespondents to their 1+ preferred carrier for collect, bill-to-third and calling card calls (if applicable).

Capital costs were annualized using standard annual cost factors (i.e., the ratios of annual depreciation, return on investment, income taxes, maintenance and administrative expense, respectively, to investment). Nonrecurring expenses were amortized over five years. As shown in Appendix A, BellSouth estimates total costs

[20] Costs represented by this category are largely attributable to 0+ interLATA call processing. BellSouth lacked sufficient experience with operator assistance on 0+ automated calls to quantify these costs in earlier estimates.

(capital recovery and expenses) of approximately $57.3 Million per year for the first five years after service implementation; capital recovery and expenses totalling $38.4 Million from the sixth year to at least the tenth year following service implementation; and recurring expenses of approximately $29 Million (in 1997 dollars) for each subsequent year after the tenth year.

The foregoing estimates do not include the costs to BellSouth of provisioning BPP for independents. An additional $3,302,032 in annual expenses would be required to process 0+ interLATA calls on behalf of independents currently receiving intraLATA service from BellSouth. BellSouth projects further costs of up to $6,588,685 annually in the event other independents not presently served elect to receive 0+/0- interLATA call processing from this company in a BPP environment.[21]

Finally, any estimate of total costs for BPP deployment must include consideration of the revenue effects on BellSouth's existing Operator Transfer and Line Information Data Base services. These offerings, which will be adversely impacted by BPP, are currently forecasted to

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[21] This figure is based upon an assumption that only smaller independents, representing approximately 48% of access lines, would seek to obtain BPP processing services from BellSouth. Supporting data for both cost estimates associated with provisioning BPP to independent companies is contained at Appendix B to this filing.

produce 1997 revenues of $23,207,000 and $13,249,000 respectively.

8. <u>An array of new products and services continues to expand the range of alternatives to BPP.</u>

As previously noted, new IXC services (<u>e.g.</u>, AT&T's 1-800-CALLATT and AT&T "True Choice"(sm) Calling Card, MCI's 1-800-COLLECT) offer alternatives to traditional access code dialing and are enjoying increasing market success. Such services do not, however, exhaust the range of options now available to consumers. Partnering arrangements between IXCs and others have produced highly innovative services to address the specific needs of particular market segments. One example is VisaPhone(TM), a cooperative effort of Sprint and VISA. By dialing "10 VSA" and entering an easily remembered personal identifier, customers may place calls over the Sprint network to any point in the United States and to more than 290 other countries or territories. Charges incurred for VisaPhone calls may be billed directly by Sprint or charged to the customer's VISA account. This service affords the opportunity to consolidate all travel expenses on one bill--a feature particularly attractive to business customers. VisaPhone is being aggressively promoted by Sprint, VISA and member financial institutions through a national print and direct mail advertising campaign.[22]

Similarly, a joint venture of Fone America, DAT Services and Lottery Enterprises Inc. has produced the "DriveLine"(r) Discount Calling Card, which allows customers to purchase time on Fone America's network in $10, $20 and $50 increments. Sold through vending machines at an increasing number of truck stops and travel centers nationwide, the "DriveLine" card has been favorably received by truck drivers and other members of the traveling public and plans are underway to increase its utility through the addition of other trucker-related audio services.[23]

The LECs too have added services which greatly facilitate customer access to the preferred IXC. BellSouth and many other companies now provide Operator Transfer Service (OTS), which allows a LEC operator to directly transfer 0- dialed calls to any IXC subscriber to the service. As implemented by BellSouth, callers are initially asked to designate a preferred IXC. If no IXC is named the BellSouth operator will read from a list of subscribing IXCs

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[22] PR Newswire Association, Inc., Financial News, "Sprint and VISA Launch New Service that Turns Every VISA Card into a Money-Saving Calling Card," dated 5/25/94.

[23] Business Wire, Inc., "Fone America Captures Market Leadership with the DriveLine Discount Calling Card," dated 5/26/94.

until one is chosen by the caller.[24] The call is then transferred for completion by the requested IXC. When OTS was introduced on April 1, 1991, subscriber lists consisted only of the three largest carriers. Currently, each BellSouth state has 9-12 IXC subscribers and increasing demand for the service is expected.[25]

Finally, wireless technologies will continue to reduce the number of 0+ and 0- calls and any corresponding need for BPP. Cellular telephone users now number over 11 million, with annual growth rates in the industry of 30-40 percent. Additionally, the release of government-held spectrum is likely to produce explosive growth in new personal communications services (PCS). The Commission itself has cited projections of "60 million PCS users in the U.S. within ten years."[26]

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[24] A list of subscribing IXCs is available at each operator position. The order of names appearing on the list is rotated monthly, giving each IXC in turn the opportunity to be the first identified to the 0- caller. In Florida, state regulations require the LEC operator to provide 1+, 0+ or 00 dialing instructions before reading from the OTS subscriber list.

[25] As of July 30, 1994, the number of OTS subscribers by state was as follows: Alabama - 10; Florida - 10; Georgia - 9; Kentucky - 11; Louisiana - 9; Mississippi - 10; North Carolina - 12; South Carolina - 12; Tennessee - 9. BellSouth is actively promoting this service to end user customers. At present an advertising effort is underway which involves the posting of informational displays at 20 metropolitan airports within the region.

[26] Petition for Rulemaking to Determine the Terms and Conditions Under Which Tier 1 LECs Should Be Permitted to Provide InterLATA Telecommunications Services, R.M.-8303, July 15, 1993, pp. 16-17 (and cited authorities).

II. SERVICE IMPLEMENTATION

1. BPP costs must be recovered from all users of interstate access service.

BellSouth concurs in the Commission's tentative conclusion that (if implemented) BPP should be treated as a new service for purposes of price cap administration.[27] As a general matter, BellSouth supports the application of cost causer-specific rate elements to new service pricing; however, substantial costs and the high probability of IXC bypass preclude this approach in the case of BPP. As dial around of BPP specific charges increased, per call costs of BPP would correspondingly increase, resulting in further incentives to dial around. Under such circumstances, there exists a significant potential that BellSouth and other LECs would be unable to recover the costs of service implementation.

A proposal has been advanced to recover BPP costs exclusively from operator service calls. This alternative would require the application of BPP charges to all originating 0+, 0-, 10XXX0, 950 and 1-800 calls. The inclusion of 10XXX0 with 0+ and 0- is reasonable because such calls are operator service dial around traffic which can be identified and billed separately from 10XXX1 calls. Likewise, it is reasonable to include 950 calls which are predominantly (albeit not totally) operator-assisted.

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[27] FNPRM at ¶ 57.

Because BellSouth cannot differentiate between 950 calls involving operator services and other 950 calls, all 950 traffic would have to be assessed the charges for BPP provisioning. Lastly, to include all dial around traffic in the apportionment of BPP costs, service charges would have to be applied to 1-800 calls. As is true of calls employing the 950 prefix, BellSouth has no means of ascertaining which 800 calls employ operator services and which do not. The resultant burden on 800 service from assessment of a BPP charge constitutes a significant drawback in use of this cost recovery alternative.

In conclusion, if the Commission requires implementation of BPP, it must order BPP cost recovery across all switched access minutes of use (MOU). Notwithstanding the appeal of cost causer specific rates, assessment of BPP charges on all switched access MOU is the only mechanism which offers a reasonable potential for recovering the substantial costs of BPP deployment and maintenance. This approach is critical to the success of BPP, particularly given the ability and financial incentives of large IXCs to encourage dial around of the service by their end user customers.

One hypothetical will illustrate this point. It may be assumed that AT&T would subscribe to BPP service only to accommodate its customers unable or unwilling to employ access codes. Under these circumstances, it may be further assumed that only a small portion of potential AT&T traffic would be routed using BPP.[28] Similarly, given the success of MCI's 1+800 COLLECT, it is reasonable to assume that some portion of MCI traffic would not be routed through BPP. This diversion of traffic from the two largest IXCs could reduce BellSouth's 0+ and 0- call volume by as much as 50% of Appendix A projections. Under such circumstances BPP would add an increment of $0.13 per call to the existing costs for provisioning operator-assisted services.[29] Costs of such magnitude cannot feasibly be passed on to end users or absorbed by BPP subscribers.[30]

2. 0+ carrier selection can reasonably be accomplished through end user balloting.

BellSouth concurs with the Commission's tentative finding that 0+ carrier selection can reasonably be accomplished through end user balloting. BellSouth further proposes the use of a prominent bill insert ballot that is

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[28] From the outset, AT&T has opposed the introduction of BPP routing and has made no indication that any circumstances might cause a reversal of its position. Further, AT&T has expended considerable effort--and achieved notable success--in educating its customers to use specialized access dialing arrangements. There is every reason to suppose like results from an AT&T publicity campaign designed to encourage bypass of BPP.

[29] When the effects of lost service revenue from OTS and LIDB are considered (as BellSouth maintains they should be), per call charges for BPP increase to $0.24.

[30] Even without such action by IXCs, the total volume of operator-assisted calls subject to BPP routing will likely decline as a consequence of the increased use of wireless services.

pre-addressed and posted. End users not responding to the ballot would be defaulted to the 1+ carrier. An allocation process would be required only in those limited circumstances where end users do not have an assigned 1+ carrier and do not return a ballot.

BellSouth favors selection of any secondary carrier by the primary 0+ carrier. The Commission rightly observes that competitive pressures will impel the selection of a secondary carrier that provides quality service and meets customer needs. Further, use of a secondary carrier will be transparent to end users, in the likely event that calls handled by the secondary carrier are billed by the primary carrier at the latter's rates; and that all calls are branded with the name of the primary carrier. Selection of an international carrier (if required) should likewise be accomplished by the primary 0+ carrier.

3. <u>A minimum of three years will be required to make BPP service fully operational.</u>

BellSouth estimates that it would require at least three years from the date of a Commission order mandating BPP to make the service fully operational. Initially eighteen months would be needed to develop the first central office application of BPP routing technology, with an additional six months necessary to establish general availability of BPP hardware and software. From the date of general availability, BellSouth projects that a further twelve months would be required to deploy hardware and